



SPECTRUM FUNDS

THE DIREXION FUNDS

PROSPECTUS DECEMBER 29, 2009

Spectrum Select Alternative Fund
Spectrum Global Perspective Fund
Spectrum Equity Opportunity Fund

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SERVICE CLASS

Like shares of all mutual funds, these securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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In deciding whether to invest in the funds described herein, you should rely on information in this Prospectus or the Statement of Additional Information (the "SAI"). The Direxion Funds (the "Trust") has not authorized others to provide additional information. The Trust does not authorize the use of this Prospectus in any state or jurisdiction in which such offering may not legally be made.

OVERVIEW

This Prospectus describes the following funds (the “Funds”):

- **Spectrum Select Alternative Fund;**
- **Spectrum Global Perspective Fund;** and
- **Spectrum Equity Opportunity Fund.**

Rafferty Asset Management, LLC (“Rafferty” or “Adviser”) serves as the Funds’ investment adviser and Hundredfold Advisors LLC (“Hundredfold” or “Subadviser”) serves as the Funds’ subadviser. (Collectively, Rafferty and Hundredfold are referred to herein as “Advisers” in certain circumstances.)

Each of the Funds is aggressively managed by the Subadviser, who seeks investment opportunities for each Fund to maximize a Fund’s investment returns. The Subadviser will attempt to identify changing market conditions based on its analysis of trends, relative strength and seasonal considerations and will position each Fund’s assets accordingly.

The Spectrum Select Alternative Fund (formerly, the Spectrum High Yield Plus Fund) seeks a moderate total rate of return (income and capital appreciation) on an annual basis, by investing primarily in equity and fixed-income securities, either directly or indirectly in such securities or through exchange-traded funds (“ETFs”), other investment companies and derivative instruments. The Spectrum Global Perspective Fund seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis by investing in equity securities of foreign issuers either directly or indirectly through American Depositary Receipts (“ADRs”), ETFs, foreign currencies, other investment companies and derivative instruments. In addition, the Spectrum Global Perspective Fund may invest in baskets of foreign currencies. The Spectrum Equity Opportunity Fund seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis by investing either directly in securities of domestic and foreign issuers or indirectly through ADRs, ETFs, other investment companies and derivative instruments.

Each Fund may alternate between “long” and “short” investments and investing in cash or cash equivalents as a temporary defensive measure. In addition, each Fund may use derivative instruments, including swaps, futures and options, which enable the Subadviser to seek leveraged exposure to target investments — meaning exposure greater than would be available by purchasing only traditional equity and fixed-income securities.

The investment strategy of each Fund may result in the investment of a large portion or all of the assets of each Fund in cash or cash equivalents to provide security of principal, current income and liquidity.

There is no assurance that the Funds will achieve their objectives.

Recent events in the financial sector have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both domestic and foreign equity markets could experience increased volatility and turmoil, and it is uncertain whether or for how long these conditions could continue. The U.S. Government has already taken a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Reduced liquidity in equity, credit and fixed-income markets may adversely affect many issuers worldwide. These events and possible continued market turbulence may have an adverse effect on the Funds.

ABOUT THE FUNDS

Spectrum Select Alternative Fund

Fund Objective. The Spectrum Select Alternative Fund (the “Select Alternative Fund”) seeks a moderate total rate of return (income plus capital appreciation) on an annual basis.

The Select Alternative Fund’s investment objective is not a fundamental policy and may be changed by the Trust’s Board of Trustees without shareholder approval.

Portfolio Investment Strategy. The Subadviser actively manages the Select Alternative Fund’s portfolio to invest in any combination of equity and fixed-income securities based on market conditions and trends and the Subadviser’s expectations and assessment of risks. (The term “Alternative” in the Fund’s name simply refers to the fact that the Subadviser may choose from among many investment alternatives.) Within these securities, the Subadviser employs an investment strategy that alternates between positions designed to profit from market trends, such as entering into “long” and “short” positions, directly or indirectly through ETFs, other investment companies and derivatives of equity and fixed-income securities, and investing in cash or cash equivalents as a temporary defensive measure. The Subadviser seeks to take “long” positions in or purchase securities prior to or at the outset of upward trends for such securities and seeks to take “short” positions in or sell securities prior to or early in downward trends in the value of such securities. There is no limit on the amount of the Select Alternative Fund’s assets that may be invested in derivative instruments or used to cover short positions.

The Subadviser’s decisions are based on a variety of trading models and an analysis of the overall investment opportunities and risks among categories or sectors of equity and fixed-income securities or investment vehicles that represent pools of such securities, including major market indices, investment companies and ETFs. The Subadviser’s strategy does not involve fundamental research and analysis of individual securities. The Subadviser considers elements of market trends and momentum, including price actions, advance-decline lines, market highs and lows and the overall direction of market trends. The Subadviser may reposition the Select Alternative Fund’s portfolio in response to market movements in an attempt to participate in a developing trend and may attempt

to anticipate market moves and initiate appropriate action in advance of actual market trends.

The Subadviser will likely engage in frequent trading of the Select Alternative Fund’s securities in an attempt to position its portfolio in line with the Subadviser’s expectations for market trends. In addition, the Subadviser will employ leveraged investment techniques that allow the Select Alternative Fund to increase its exposure to the market during times when the Subadviser anticipates a strong market trend. The Subadviser also may employ hedging strategies designed to reduce volatility and risk. Although the Select Alternative Fund may invest directly in equity and fixed-income securities, it will primarily invest in such securities indirectly through securities that invest in or are a derivative of such securities, including futures contracts, options contracts, swap agreements, options on futures contracts, financial instruments consisting of interests in baskets of equity or fixed-income, ETFs and other investment companies.

The Select Alternative Fund’s direct investments may include the following equity and fixed-income securities in any combination that the Subadviser believes appropriate:

- High-yield bonds (“Junk Bonds”);
- U.S. Treasury bonds and notes;
- U.S. government-sponsored enterprises;
- U.S. dollar-denominated corporate obligations;
- Mortgage and asset-backed securities;
- Corporate bonds and notes and asset-backed securities;
- Zero-coupon bonds;
- Commercial paper and other money market instruments;
- Fixed-income securities issued by foreign governments and companies that are denominated in U.S. dollars or foreign currencies, some of which may be issued by governments in emerging market countries;
- Common stocks;
- Preferred stocks; and
- Convertible securities.

The Select Alternative Fund invests in fixed-income securities without any restriction on maturity or

creditworthiness, which could range from government securities to Junk Bonds, which are debt securities rated below investment grade. With respect to the Select Alternative Fund's investments in fixed-income securities, the Subadviser will lengthen and shorten the average dollar weighted maturity of the portfolio and make shifts in quality and sector distribution, according to the Subadviser's expectations for the future course of interest rates and the then-prevailing price and yield levels in the fixed-income market. The Select Alternative Fund invests in equity securities without consideration to any specific sector or market capitalization range.

Consistent with its investment strategy for temporary defensive purposes, up to 100% of the Select Alternative Fund's assets may be invested in cash or cash equivalents. To earn income on available cash, a large portion or all of the assets of the Select Alternative Fund may be invested in high quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Select Alternative Fund may not achieve its investment objective.

The Select Alternative Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Risk Factors. An investment in the Select Alternative Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of the Subadviser's Investment Strategy, Risks of Aggressive Investment Techniques, High Portfolio Turnover, Risks of Investing in Equity Securities, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Swap Agreement Risks, Counterparty Risks, Leverage Risk, Risks of Shorting Securities, Risks of Non-Diversification, Credit Risk and Lower-Quality Debt Securities, Interest Rate Changes, Prepayment Risk and Risk of Asset-Backed Securities.

Spectrum Global Perspective Fund

Fund Objective. The Spectrum Global Perspective Fund (the "Global Fund") seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis.

The Global Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon notice.

Portfolio Investment Strategy. The Subadviser actively manages the Global Fund's portfolio by attempting to anticipate, and respond to, trends in markets in various countries and regions around the world, including emerging markets. The Subadviser employs an investment strategy that alternates between positions designed to profit from market trends, such as entering into "long" and "short" positions in domestic and international securities, and investing in cash or cash equivalents as a temporary defensive measure. The Subadviser seeks to take "long" positions in domestic or international securities prior to or at the outset of upward trends for such securities and seeks to take "short" positions in or sell such securities prior to or early in downward trends in the value of such securities.

The Subadviser will consider elements of market trends and momentum, including price actions, advance-decline lines, market highs and lows and the overall direction of market trends. As a result, the Subadviser may reposition the Global Fund's portfolio in response to market movements in an attempt to participate in a developing trend. The Subadviser also may attempt to anticipate market moves and initiate appropriate action in advance of actual market trends in order to minimize the loss of capital appreciation that would occur with a "buy and hold" investment strategy. The Subadviser will likely engage in frequent trading of the Global Fund's securities in an attempt to position its portfolio in line with the Subadviser's expectations for market trends. In addition, the Subadviser will employ leveraged investment techniques that allow the Global Fund to gain greater exposure to target securities.

The Subadviser will analyze the overall investment opportunities and risks among issuers in various countries, regions and market sectors of foreign securities or investment vehicles that represent pools of foreign securities, such as major market indices and ETFs. The Subadviser's strategy does not involve fundamental research and analysis of individual equity securities.

Although the Global Fund may invest in domestic equity and debt securities, it will primarily invest in international equity and debt securities, including Junk Bonds. In addition, the Global Fund may invest in foreign currencies. The Global Fund will generally invest in such

international equity and debt securities and foreign currencies indirectly through securities that invest in or are a derivative of international equity securities, including futures contracts, options contracts, swap agreements, options on futures contracts, financial instruments consisting of interests in baskets of international equity securities, ETFs, and other investment companies.

The Global Fund may also invest directly in foreign currencies and individual foreign securities or indirectly through ADRs. The Global Fund will invest in various developed and emerging countries in Europe, the Far East, the Middle East, Africa, Australia and Latin America. In addition, the Global Fund may invest in international equity securities representing any market capitalization, investment style, market sector or industry.

The Global Fund is not meant to provide diversified exposure to international securities. The Global Fund is a “non-diversified” fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Consistent with its investment strategy, up to 100% of the Global Fund’s assets may be invested in cash or cash equivalents. To earn income on available cash, a large portion or all of the assets of the Global Fund may be invested in high quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Global Fund may not achieve its investment objective.

Risk Factors. An investment in the Global Fund is subject to the following risks, as set forth in the “Principal Risk Factors” section of this prospectus below: Risks of the Subadviser’s Investment Strategy, Risks of Aggressive Investment Techniques, High Portfolio Turnover, Risks of Investing in Equity Securities, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Swap Agreement Risks, Counterparty Risks, Leverage Risk, Risk of Shorting Securities, Risks of Non-Diversification, Credit Risk and Lower-Quality Debt Securities, Risks of Investing in Foreign Securities, Risks of Investing in Emerging Markets and Risks of Investing in Small and Mid-Capitalization Companies.

Spectrum Equity Opportunity Fund

Fund Objective. The Spectrum Equity Opportunity Fund (the “Equity Fund”) seeks a high total rate of return (income from short-term trading plus capital appreciation) on an annual basis.

The Equity Fund’s investment objective is not a fundamental policy and may be changed by the Trust’s Board of Trustees without shareholder approval upon notice.

Portfolio Investment Strategy. The Subadviser actively manages the Equity Fund’s portfolio by attempting to anticipate, and respond to, trends in equity securities. The Subadviser will employ an investment strategy that alternates between positions designed to profit from market trends, such as entering into “long” and “short” positions of equity securities, and investing in cash or cash equivalents as a temporary defensive measure. The Subadviser seeks to take “long” positions in or purchase equity securities prior to or at the outset of upward trends for such securities and seeks to take “short” positions in or sell equity securities prior to or early in downward trends in the value of such securities. When the Subadviser believes it appropriate, the Subadviser will employ leveraged investment techniques that allow the Equity Fund to gain greater exposure to its target investments.

The Subadviser will consider elements of market trends and momentum, including price actions, advance-decline lines, market highs and lows and the overall direction of market trends. The Subadviser’s strategy does not involve fundamental research and analysis of individual equity securities. The Subadviser will analyze the overall investment opportunities and risks among categories or sectors of equity securities or investment vehicles that represent pools of equity securities, such as major market indices and ETFs. As a result, the Subadviser may reposition the Equity Fund’s portfolio in response to market movements in an attempt to participate in a developing trend and may attempt to anticipate market moves and initiate appropriate action in advance of actual market trends. The Subadviser will likely engage in frequent trading of the Equity Fund’s securities in an attempt to position its portfolio in line with the Subadviser’s expectations for market trends.

Under normal market conditions, the Equity Fund will invest at least 80% of its net assets (plus any borrowing

for investment purposes) in equity securities or derivatives of such securities. At times, for temporary defensive purposes, up to 100% of the Equity Fund's portfolio may be invested in cash or cash equivalents. Although the Equity Fund may invest directly in equity securities, it may also invest in such securities indirectly through securities that invest in or are a derivative of equity securities, including futures contracts, options contracts, swap agreements, options on futures contracts, financial instruments consisting of interests in baskets of equity securities, ETFs and other investment companies. Equity securities include common stocks, ADRs, preferred stock, convertible stock, warrants, and rights.

The Equity Fund invests in equity securities of any market capitalization, investment style, market sector or industry. The Equity Fund also may seek exposure to issuers of foreign securities.

The Equity Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Consistent with its investment strategy for temporary defensive purposes, up to 100% of the Equity Fund's assets may be invested in cash or cash equivalents. To earn income on available cash, a large portion or all of the assets of the Equity Fund may be invested in high quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Equity Fund may not achieve its investment objective.

Risk Factors. An investment in the Equity Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of the Subadviser's Investment Strategy, Risks of Aggressive Investment Techniques, High Portfolio Turnover, Risks of Investing in Equity Securities, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Swap Agreement Risks, Counterparty Risks, Leverage Risk, Risk of Shorting Securities, Risks of Non-Diversification, Risks of Investing in Foreign Securities and Risks of Investing in Small Capitalization Companies.

PRINCIPAL RISK FACTORS

An investment in any of the Funds entails risks. A Fund could lose money, or its performance could trail that of other investment alternatives. Neither Hundredfold nor Rafferty can guarantee that the Funds will achieve their objectives. In addition, the Funds present some risks not traditionally associated with most mutual funds. It is important that investors closely review and understand these risks before making an investment in the Funds. Unprecedented recent turbulence in financial markets and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers worldwide, which could have an adverse effect on the Funds. These and other risks are described below.

Risks of the Subadviser's Investment Strategy

The Subadviser has limited previous experience advising investment companies. The principal risk of investing in a Fund is that Hundredfold's investment strategy will not be successful. While the Subadviser seeks to take advantage of investment opportunities for a Fund that will maximize its investment returns, there is no guarantee that such opportunities will ultimately benefit a Fund. The Subadviser will aggressively change a Fund's portfolio in response to market conditions that are unpredictable and may expose the Fund to greater market risk than other mutual funds. There is no assurance that the Subadviser's investment strategy will enable a Fund to achieve its investment objective.

Risks of Aggressive Investment Techniques

The Funds use investment techniques which may be considered aggressive, including investments in derivatives. The derivative instruments in which a Fund may invest include: (1) futures contracts; (2) swap agreements; and (3) options on securities, securities indices and futures contracts. Investments in derivatives are subject to market risks that may cause their prices to fluctuate over time. In addition, such instruments may experience potentially dramatic price changes (losses) and imperfect correlations between the price of the contract and the underlying security or index. This will increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. The use of derivatives may expose a Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. As a result, a Fund may incur larger losses or smaller gains than otherwise would be the case if the Fund invested directly in the underlying securities.

High Portfolio Turnover

Each Fund's aggressive investment strategy has resulted in significant portfolio turnover far in excess of a typical mutual fund. High portfolio turnover involves correspondingly greater expenses to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to the Fund's shareholders from distributions to them of net gains realized on the sales. The trading costs and tax effects associated with portfolio turnover may adversely affect a Fund's performance. See the Financial Highlights for the Funds' portfolio turnover rates.

Risks of Investing in Equity Securities

Each Fund may invest in publicly issued equity securities, including common stocks. Investments in common stocks are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of common stocks in which a Fund invests will cause the NAV of the Fund to fluctuate.

Risks of Investing in ETFs

An ETF is an investment company that seeks to track the performance of an index by holding in its portfolio either the contents of the index or a representative sample of the securities in the index. ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange. ETF shares potentially may trade at a discount or a premium in market price if there is a limited market in such shares. Investments in ETFs are subject to brokerage and other trading costs as the Advisers trade in and out of a fund, which could result in greater expenses to a Fund. They also are subject to investment advisory and other expenses, which a Fund would directly bear. Finally, because the value of ETF shares depends on the demand in the market, the Advisers may not be able to liquidate a Fund's holdings at the most optimal time, adversely affecting the Fund's performance.

Risks of Investing in Other Investment Companies

A Fund may invest in other investment companies, which may, in turn, invest in equities, bonds, and other financial vehicles. Investments in the securities of other investment companies may involve duplication of advisory fees and certain other expenses. By investing in another investment

company, the Fund becomes a shareholder of that investment company. As a result, Fund shareholders indirectly will bear a Fund's proportionate share of the fees and expenses paid by shareholders of the other investment company, in addition to the fees and expenses Fund shareholders directly bear in connection with the Fund's own operations. As a shareholder, a Fund must rely on the investment company to achieve its investment objective. If the investment company fails to achieve its investment objective, the value of the Fund's investment will decline, adversely affecting the Fund's performance.

Swap Agreement Risks

Each Fund may enter into swap agreements, which are two-party contracts whereby the parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The risks associated with swap agreements include the risk that the counterparty to a swap agreement may default. If a counterparty defaults, a Fund's risk of loss will consist of any payments that the Fund is entitled to receive from the counterparty under the agreement. In addition, a Fund could suffer losses with respect to a swap agreement if the Fund is unable to terminate the agreement or reduce its exposure through offsetting transactions.

Counterparty Risks

The Funds may invest in swap agreements, which are two-party contracts whereby the parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. Using such agreements exposes a Fund to the risk that the counterparty may default. If the counterparty defaults, a Fund's risk of loss will consist of any payments that the Fund is entitled to receive from the counterparty under the agreement.

Leverage Risk

Each Fund may employ leveraged investment techniques, including the use of financial instruments to produce leverage results as well as borrowing money for investment purposes. Use of leverage can magnify the effects of changes in the value of the Funds and makes them more volatile. The leveraged investment techniques that the Funds employ could cause investors in the Funds to lose more money in adverse environments.

Risk of Shorting Securities

Each Fund may, from time to time, establish short positions designed to profit from the decline in the price of particular securities, baskets of securities or indices. In general, when a Fund shorts securities, it borrows the securities from a broker and sells the borrowed securities. The Fund is obligated to deliver to the broker securities that are identical to the securities sold short and will be subject to the risk of loss, which may be significant, in the event that the market value of the securities sold short plus related transaction costs exceeds the proceeds to the Fund from the short sale. A short sale involves the theoretically unlimited risk of an increase in the market price of the security, basket of securities or index sold short which, except in the case of a short sale "against the box," would result in a theoretically unlimited loss. As a consequence, the Fund will lose value if and when the prices of particular securities, baskets of securities or indexes rises — a result that is the opposite from traditional equity mutual funds. The holder of a short position is responsible for paying the dividends and interest accruing on the short position. Because dividends and interest accruing on a short position is an expense to a Fund, the performance of a Fund may be adversely impacted by the cost of maintaining its short positions.

Risks of Non-Diversification

Each Fund is non-diversified, which means that it may invest a high percentage of its assets in a limited number of securities. Since the Funds are non-diversified, their NAVs and total returns may fluctuate more or fall further in times of weaker markets than a diversified mutual fund.

Credit Risk and Lower-Quality Debt Securities

A Fund could lose money if the issuer of a debt security is unable to meet its financial obligations or goes bankrupt. Credit risk usually applies to most debt securities, but generally is not a factor for U.S. government obligations. A Fund will invest a significant portion or all of its assets in securities rated below investment grade or Junk Bonds. Junk Bonds may be sensitive to economic changes, political changes, or adverse developments specific to a company. These securities generally involve greater risk of default or price changes than other types of fixed-income securities and the Select Alternative Fund's performance may vary significantly as a result. Therefore, an investment in the Select Alternative Fund is subject to a higher risk of loss than

an investment in a fund that may not invest in lower-rated securities.

Interest Rate Changes

Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security will fall when interest rates rise and will rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates.

Prepayment Risk

Many types of debt securities, including mortgage securities, are subject to prepayment risk. Prepayment occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility.

Risk of Asset-Backed Securities

Payment of interest and repayment of principal may be impacted by the cash flows generated by the assets backing these securities. The value of the Select Alternative Fund's asset-backed securities also may be affected by changes in interest rates, the availability of information concerning the interests in and structure of the pools of purchase contracts, financing leases or sales agreements that are represented by these securities, the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities that provide any supporting letters of credit, surety bonds, or other credit enhancements.

Risks of Investing in Foreign Securities

Investments in foreign securities involve greater risks than investing in domestic securities. As a result, a Fund's returns and net asset values may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic

or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

Risks of Investing in Emerging Markets

The Global Fund may invest in issuers located in emerging markets. Investments in emerging markets instruments involve all of the risks of investing in foreign instruments; however these risks are generally heightened because emerging markets are in the initial stages of industrialization and have lower per capita income. Emerging markets are generally more volatile than the markets of developed countries with more mature economies. Emerging markets often provide significantly higher or lower rates of return than developed markets and carry significantly more risks to investors.

Risks of Investing in Small and Mid-Capitalization Companies

Investing in the securities of small-capitalization and mid-capitalization companies involves greater risks and the possibility of greater price volatility than investing in larger capitalization and more-established companies. Investments in mid-cap companies involve less risk than investing in small-cap companies. Smaller companies may have limited operating history, product lines, and financial resources, and the securities of these companies may lack sufficient market liquidity. Mid-cap companies often have narrower markets and more limited managerial and financial resources than larger, more established companies.

Risks of Investing in Small Capitalization Companies

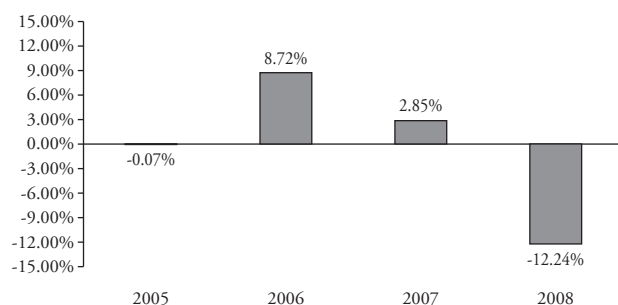
Investing in the securities of small capitalization companies involves greater risks and the possibility of greater price volatility than investing in larger capitalization and more-established companies. Smaller companies may have limited operating history, product lines, and financial resources, and the securities of these companies may lack sufficient market liquidity.

HISTORICAL PERFORMANCE

The bar chart and performance tables below provide some indication of the risks of investing in the Funds by showing how their performance has varied from year to year and comparing their performance with those of a broad measure of market performance. The information below also illustrates the risks of investing in the Funds by showing their highest and lowest quarterly returns. The Funds' past performance (before and after taxes) is not necessarily an indication of how they will perform in the future.

Spectrum Select Alternative Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Select Alternative Fund was 26.05%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Select Alternative Fund	12.30% (3rd Quarter, 2008)	-5.37% (1st Quarter, 2008)

Average Annual Total Returns as of December 31, 2008⁽¹⁾

Fund	1 Year	Since Inception	Inception Date
Spectrum Select Alternative Fund			
Return Before Taxes	-12.24%	0.00%	9/1/04
Return After Taxes on Distributions ⁽²⁾	-12.75%	-1.12%	
Return After Taxes on Distributions and Sale of Fund Shares ⁽²⁾⁽³⁾	-7.94%	-0.58%	
Barclays Capital U.S. Aggregate Bond Index ⁽⁴⁾	5.24%	4.65%	9/1/04
S&P 500 [®] Index ⁽⁵⁾	-37.00%	-2.66%	9/1/04

⁽¹⁾ Prior to June 11, 2007, the Spectrum Alternative Fund pursued a different investment objective and had different investment strategies.

⁽²⁾ After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts ("IRAs").

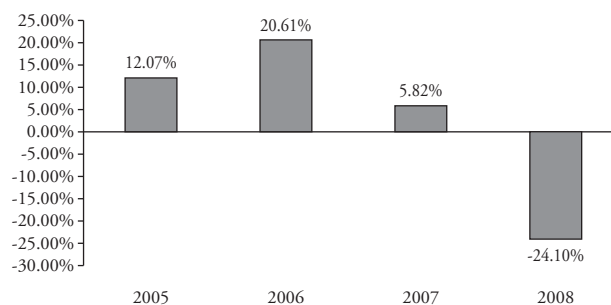
⁽³⁾ The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

⁽⁴⁾ The Barclays Capital U.S. Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The performance of the index does not reflect deductions for fees, expenses or taxes.

⁽⁵⁾ The Standard & Poor's 500[®] ("S&P 500[®]") Index is an additional measure of market performance for the equity portion of the Select Alternative Fund. The S&P 500[®] Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

Spectrum Global Perspective Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Global Perspective Fund was 19.26%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Global Perspective Fund	16.60% (3rd Quarter, 2008)	-7.09% (1st Quarter, 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Global Perspective Fund			
Return Before Taxes	-24.10%	5.44%	9/27/04
Return After Taxes on Distributions ⁽¹⁾	-24.11%	1.99%	
Return After Taxes on Distributions and Sale of Fund Shares ⁽¹⁾⁽²⁾	-15.67%	2.98%	
S&P 500® Index ⁽³⁾	-37.00%	-2.67%	9/27/04
MSCI World Index ⁽⁴⁾	-42.08%	-2.73%	9/27/04

(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

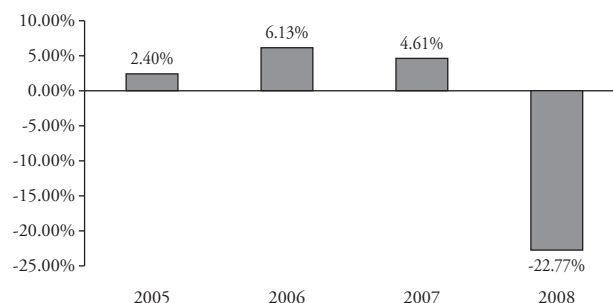
(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The S&P 500® Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

(4) The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of June 2007, the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The performance of the index does not reflect deductions for fees, expenses or taxes.

Spectrum Equity Opportunity Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Equity Opportunity Fund was 22.85%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Equity Opportunity Fund	15.12% (3rd Quarter, 2008)	-10.07% (1st Quarter, 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Equity Opportunity Fund			
Return Before Taxes	-22.77%	-0.94%	10/11/04
Return After Taxes on Distributions ⁽¹⁾	-22.77%	-2.59%	
Return After Taxes on Distributions and Sale of Fund Shares ⁽¹⁾⁽²⁾	-14.80%	-1.58%	
S&P 500® Index ⁽³⁾	-37.00%	-3.14%	10/11/04

(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The S&P 500® Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed.

The performance of the index does not reflect deductions for fees, expenses or taxes.

Fees and Expenses of the Funds. The tables below describe the fees and expenses that you may pay if you buy and hold Service Class shares of the Funds. The expenses below are based on actual expenses incurred for the fiscal year ended August 31, 2009.

Shareholder Fees (fees paid directly from your investment)⁽¹⁾

Maximum Sales Charge Imposed on Purchases (as a% of offering price)	None
Maximum Deferred Sales Charge (as a% of original purchase price or sales proceeds, whichever is less)	None

Annual Operating Expenses (%) (expenses that are deducted from Fund assets)

	Spectrum Select Alternative Fund	Spectrum Global Perspective Fund	Spectrum Equity Opportunity Fund
Management Fees	1.00%	1.00%	1.00%
Distribution and/or Service (12b-1) Fees	1.00%	1.00%	1.00%
Other Expenses ⁽²⁾	0.55%	0.55%	0.55%
Acquired Fund Fees and Expenses ⁽³⁾	<u>1.19%</u>	<u>0.38%</u>	<u>0.30%</u>
Total Annual Fund Operating Expenses ⁽³⁾⁽⁴⁾	<u>3.74%</u>	<u>2.93%</u>	<u>2.85%</u>

(1) You will be assessed a \$15 fee for outgoing wire transfers, and \$25 for returned checks and stop payment orders by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. Please note that this fee is subject to change.

(2) The Adviser is contractually obligated to pay all expenses of the Funds except for the following: management fees, distribution and/or service fees, Acquired Fund Fees and Expenses, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation or other expenses outside the typical day-to-day operations of the Funds.

(3) The Funds are required to disclose Acquired Fund Fees and Expenses in the fee table above. Acquired Fund Fees and Expenses are indirect fees and expenses that a Fund incurs from investing in the shares of other registered and unregistered investment companies ("Acquired Fund(s)"). The indirect fee represents a pro rata

portion of the cumulative expenses charged by the Acquired Fund. Acquired Fund Fees and Expenses are reflected in the Acquired Fund's net asset value. Because the Total Annual Fund Operating Expenses in the table above include Acquired Fund Fees and Expenses, they do not correlate to the ratio of Expenses to Average Net Assets found within the "Financial Highlights" section of this prospectus. Without Acquired Fund Fees and Expenses, Total Annual Operating Expenses for each Fund would be 2.55%.

(4) As part of the Funds' investment strategy, they may take short positions in securities. During the fiscal year ended August 31, 2009, the Funds' did not enter into short positions and, thus, no additional expenses associated with these positions are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in Service Class shares of the Funds with the cost of investing in other mutual funds. The table shows what you would have paid if you had invested \$10,000 in the Service Class shares of the Funds over the periods shown and then redeemed all your shares at the end of those periods. It also assumes that your investment has a 5% return each year and the operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Fund:	1 Year	3 Years	5 Years	10 Years
Spectrum Select Alternative Fund	\$376	\$1,143	\$1,930	\$3,984
Spectrum Global Perspective Fund	\$296	\$ 907	\$1,543	\$3,252
Spectrum Equity Opportunity Fund	\$288	\$ 883	\$1,504	\$3,176

ABOUT YOUR INVESTMENT

Share Prices of the Funds

Each Fund's share price is known as its NAV. Each Fund's Service Class share prices are calculated after the close of regular trading, usually as of 4:00 p.m. Eastern time, each day the New York Stock Exchange ("NYSE") is open for business. All shareholder transaction orders received in good form by a Fund's transfer agent or an authorized financial intermediary by 4:00 p.m. Eastern time will be processed at that day's NAV. Transaction orders received after 4:00 p.m. Eastern time will receive the next business day's NAV.

Share price is calculated by dividing a class' net assets by its shares outstanding. The Funds use the following methods to price securities held in their portfolios:

- Equity securities, over-the-counter ("OTC") securities, closed-end investment companies, ETFs, swap agreements, options, futures and options on futures are valued at their last sales price, or if not available, the average of the last bid and ask price;
- Securities primarily traded in the NASDAQ Global Market[®] are valued using the NASDAQ[®] Official Closing Price ("NOCP");
- Short-term debt securities with a maturity of 60 days or less and money market securities are valued using the "amortized" cost method;
- Other debt securities are valued by using the closing bid and asked prices provided by the Funds' pricing service or, if such prices are unavailable, by a pricing matrix method; and
- Securities for which reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, or the Funds or the Adviser believe the market price is stale will be valued at fair value estimates by the Adviser under the supervision of the Board of Trustees.

Fair Value Pricing. Portfolio securities and other assets are valued chiefly by market prices from the primary market in which they are traded. Securities are priced at a fair value as determined by the Adviser, under the supervision of the Board of Trustees, when reliable market quotations are not readily available, the Funds' pricing service does not provide

a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, the Adviser believes that the market price is stale, or an event that affects the value of an instrument (a "Significant Event") has occurred since the closing prices were established, but before the time as of which the Funds calculate their NAVs. Examples of Significant Events may include: (1) events that relate to a single issuer or to an entire market sector; (2) significant fluctuations in domestic or foreign markets; or (3) occurrences not tied directly to the securities markets, such as natural disasters, armed conflicts, or significant government actions. If such Significant Events occur, the Funds may value the instruments at fair value, taking into account such events when it calculates each Fund's NAV. Fair value determinations are made in good faith in accordance with procedures adopted by the Board of Trustees. In addition, the Funds may also fair value an instrument if trading in a particular instrument is halted and does not resume prior to the closing of the exchange or other market.

Attempts to determine the fair value of securities introduces an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, Rafferty compares the market quotation to the fair value price to evaluate the effectiveness of the Funds' fair valuation procedures. If any significant discrepancies are found, Rafferty may adjust the Funds' fair valuation procedures.

Rule 12b-1 Fees

The Funds have adopted Service Class distribution plan under Rule 12b-1 which allows each Fund to charge up to 1.00% of that Fund's average Service Class daily net assets to pay for distribution and services provided to Fund shareholders. Because these fees are paid out of the Service Class assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

The Direxion Board of Trustees has authorized each Fund to pay Rule 12b-1 fees equal to 1.00% of the average daily net assets of the Service Class. Under an agreement with the Funds, your Financial Advisor, including Spectrum

Financial, Inc., may receive these fees from the Funds. In exchange, your Financial Advisor or Spectrum Financial, Inc. may provide a number of services, such as:

- Placing your orders and issuing confirmations;
- Providing investment advice, research and other advisory services;
- Handling correspondence for individual accounts;
- Acting as the sole shareholder of record for individual shareholders;
- Issuing shareholder statements and reports;
- Executing daily investment “sweep” functions;
- Recommending the allocation of client account assets;
- Performing annual reviews of shareholder investments;
- Providing each shareholder with updates on his or her holdings and on current market conditions;
- Effecting all purchase, redemption and exchange transactions in accordance with shareholder instructions;
- Responding to shareholder inquiries;
- Assisting shareholders in utilizing the Funds’ website;
- Assisting with implementing changes in beneficial owners of accounts;
- Assisting with other changes in account information; and
- Responding to questions regarding Fund documents, including tax forms.

For more information on these and other services, you should speak directly to your Financial Advisor. Your Financial Advisor may charge additional account fees for services beyond those specified above.

How to Invest in Service Class Shares of the Funds

You may invest in the Service Class of the Funds through traditional investment accounts, IRAs (including Roth IRAs), self-directed retirement plans or company sponsored retirement plans or other products available from your Financial Advisor. Applications and descriptions of any service fees for retirement or other accounts are available from your Financial Advisor. In addition, the Funds may allow for purchases through an Automatic Investment Plan.

Shares of the Funds have not been registered for sale outside of the United States. The Funds generally do not sell shares to investors residing outside of the United States, even if they are United States citizens or lawful permanent residents, except to investors with United States military APO or FPO addresses.

Minimum Investment. The minimum initial and subsequent investments set forth below may be invested in as many of the Funds as you wish. However, you must invest at least \$1,000 in any one of the Funds. For example, if you decide to invest \$25,000 in all three of the Funds, you may allocate your minimum initial investment as \$15,000, \$9,000 and \$1,000.

	Minimum Initial Investment	Subsequent Investment
Regular Accounts	\$25,000	\$1,000
Retirement Accounts	\$25,000	\$ 0

Rafferty may waive these minimum requirements at its discretion. Contact your Financial Advisor for further information.

Good Form. Good form means that your purchase (whether direct or through a financial intermediary) is complete and contains all necessary information; has all supporting documentation (such as trust documents, beneficiary designations, proper signature guarantees, IRA rollover forms, etc.); and is accompanied by sufficient purchase proceeds. For a purchase request to be in good form, it must include (1) the name of the Fund; (2) the dollar amount of shares to be purchased; and (3) your purchase application or investment stub. An Account Application that is sent to the transfer agent does not constitute a purchase order until the transfer agent processes the Account Application and receives correct payment by check or wire transfer.

Purchasing Shares Through Your Financial Advisor. You may purchase shares of the Funds through your Financial Advisor, who can help you complete the necessary paperwork, mail your Account Application to the Direxion Funds and place your order to purchase shares of the Funds.

Your Financial Advisor is responsible for placing orders promptly with the Funds and forwarding payment promptly, as well as ensuring that you receive copies of

the Funds' Prospectus. Financial Advisors may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each Financial Advisor also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have earlier cut-off times for processing your transaction. For more information about your Financial Advisor's rules and procedures, you should contact your Financial Advisor directly.

Purchasing Shares Through The Funds' Transfer Agent.

You may also purchase shares through the Funds' transfer agent by using the following instructions:

By Mail:

- Complete and sign your Account Application.
- Indicate the Fund and the amount you wish to invest.
- Mail your check (payable to "Direxion Funds") along with the completed Account Application to:

<u>Regular Mail</u>	<u>Express/Overnight Mail</u>
Direxion Funds - Service Class c/o U.S. Bancorp Fund Services, LLC P.O. Box 701 Milwaukee, Wisconsin 53201-0701	Direxion Funds - Service Class c/o U.S. Bancorp Fund Services, LLC Mutual Fund Services - 3rd Floor 615 East Michigan Street Milwaukee, Wisconsin 53202

The Funds do not consider the U.S. Postal Service or other independent delivery services to be its agents.

- The Funds will not accept payment in cash or money orders. The Funds also do not accept cashier's checks in amounts of less than \$10,000. In addition, to prevent check fraud, the Funds do not accept third party checks, U.S. Treasury checks, credit card checks, traveler's checks, or starter checks for the purchase of shares. The Funds are unable to accept post-dated checks, post-dated on-line bill pay checks or any conditional order or payment.
- All purchases must be made in U.S. dollars through a U.S. bank.
- If your check does not clear, you will be charged a \$25.00 fee. In addition, you may be responsible for losses sustained by a Fund for any returned payment.
- You will receive written confirmation by mail, but we do not issue share certificates.

- The Funds' transfer agent will verify certain information from investors as part of the Funds' anti-money laundering program.

The USA PATRIOT Act of 2001 requires financial institutions, including the Funds, to adopt certain policies and programs to prevent money laundering activities, including procedures to verify the identity of customers opening new accounts. When completing a new Account Application, you will be required to supply your full name, date of birth, social security number and permanent street address to assist in verifying your identity. Mailing addresses containing only a P.O. Box will not be accepted. Until such verification is made, the Funds may temporarily limit additional share purchases. In addition, the Funds may limit additional share purchases or close an account if they are unable to verify a shareholder's identity. As required by law, the Funds may employ various procedures, such as comparing the information to fraud databases or requesting additional information or documentation from you, to ensure that the information supplied by you is correct.

If the Funds do not have a reasonable belief in the identity of a shareholder, the account will be rejected or the shareholder will not be allowed to perform a transaction on the account until such information is received. The Funds may also reserve the right to close the account within five business days if clarifying information and/or documentation is not received.

By Bank Wire Transfer:

Initial Investment — By Wire

- If you are making an initial investment in the Funds, before you wire funds, please contact the Funds' transfer agent by phone to make arrangements with a telephone service representative to submit your completed Account Application via mail, overnight delivery, or facsimile. Upon receipt of your Account Application, your account will be established and a service representative will contact you within 24 hours to provide an account number and wiring instructions. You may then contact your bank to initiate the wire using the instructions you were given.

For Subsequent Investments — By Wire. Before sending your wire, please contact the Funds' transfer agent to advise

them of your intent to wire funds. This will ensure prompt and accurate credit upon receipt of your wire.

U.S. Bank, N.A.
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
ABA number 075000022
For credit to U.S. Bancorp Fund Services, LLC
Account Number 112-952-137
For further credit to the Direxion Funds
(Your name)
(Your account number)

(Name of Fund(s) to purchase) — Service Class

- Your bank may charge a fee for such services.
- Wired funds must be received prior to 4:00 p.m., Eastern time to be eligible for same day pricing. Neither the Funds nor U.S. Bank, N.A., the Funds' custodian, is responsible for the consequences of delays from the banking or Federal Reserve wire system or from incomplete wiring instructions.

By Telephone:

- Investors may purchase additional shares of the Funds by calling the Funds at (800) 851-0511. If you elected this option on your Account Application and your account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House ("ACH") network. You must have banking information established on your account prior to making a purchase. Each telephone purchase order must be a minimum of \$1,000. Your shares will be purchased at the NAV calculated on the day your order is placed, provided that your order is received prior to 4:00 p.m., Eastern time.

Automatic Investment Plan:

For your convenience, the Funds offer an Automatic Investment Plan ("AIP"). Under the AIP, after you make your initial minimum investment of \$25,000, you authorize the Funds to withdraw the amount you wish to invest from your personal bank account on a monthly basis. The AIP requires a minimum monthly investment of \$1,000. If you wish to participate in the AIP, please complete the "Automatic Investment Plan" section on the Account Application or call the Funds at

(800) 851-0511. In order to participate in the AIP, your bank or financial institution must be a member of the Automated Clearing House ("ACH") network. The Funds may terminate or modify this privilege at any time. You may change your investment amount or terminate your participation in the AIP at any time by notifying the Funds' transfer agent by telephone or in writing, five days prior to the effective date of the next transaction. A fee, currently \$25, will be imposed if your AIP transaction is returned.

How to Exchange Shares of the Funds

You may exchange Service Class shares of each Spectrum Fund for shares of any other Spectrum Fund and the Direxion U.S. Government Money Market Fund (offered in a separate Prospectus) at the next determined NAV after receipt of your order in good form without any charges.

Exchanging Shares Purchased Through Your Financial Advisor. If your shares of the Funds were purchased through your Financial Advisor, initiate your exchange order by contacting your Financial Advisor.

Your Financial Advisor is responsible for placing orders promptly with the Funds. Financial Advisors may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each Financial Advisor also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have earlier cut-off times for processing your transaction. For more information about your Financial Advisor's rules and procedures, you should contact your Financial Advisor directly.

Exchanging Shares Purchased Through The Funds' Transfer Agent. If your shares of the Funds were purchased through the Funds' transfer agent, initiate your exchange order by using the following instructions:

- Write or call the Direxion Funds' transfer agent.
- Provide your name, account number, which Funds are involved, and the number, percentage or dollar value of shares to be exchanged.
- The Funds can only honor exchanges between accounts registered in the same name and having the same address and taxpayer identification number.

- You must exchange at least \$1,000 or, if your account value is less than that, your entire account balance will be exchanged.
- You may exchange by telephone if you selected telephone exchange privileges on your Account Application. If you previously declined telephone exchange privileges and would like to add this option to your account, please contact the Funds at (800) 851-0511 for instructions.
- You may exchange through the Internet by visiting the Direxion Funds' website at *www.direxionfunds.com* and activating your account.

How to Sell Service Class Shares of the Funds

Selling Shares Purchased Through Your Financial Advisor. If your shares of the Funds were purchased through your Financial Advisor, initiate your sales order by contacting your Financial Advisor. Payment is normally directed to your account with your Financial Advisor.

Your Financial Advisor is responsible for placing orders promptly with the Funds. Financial Advisors may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each Financial Advisor also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have earlier cut-off times for processing your transaction. For more information about your Financial Advisor's rules and procedures, you should contact your Financial Advisor directly.

Selling Shares Purchased Through The Funds' Transfer Agent. If your shares of the Funds were purchased through the Funds' transfer agent, initiate your sales order by using the following instructions:

Generally

- You may sell all or part of your investment in a Fund at the next determined NAV after we receive your order.
- Redemption proceeds from any sales of shares will normally be sent within seven days from the time a Fund receives your request in good order.
- For investments that have been made by check, payment on sales requests may be delayed until the Direxion Funds' transfer agent is reasonably satisfied

that the purchase payment has been collected by a Fund, which may require up to 10 calendar days.

- Your proceeds will be sent via check, wire or electronic funds transfer through the Automated Clearing House ("ACH") network using the address or bank listed on the transfer agent's records.
- Shareholders who have an IRA or other retirement plan must indicate on their redemption request whether to withhold federal income tax. Redemption requests failing to indicate an election not to have tax withheld will generally be subject to 10% withholding.
- The Funds also offer a Systematic Withdrawal Plan for shareholders who require periodic payments, such as those from IRAs. For more information on this option, please contact the Funds at (800) 851-0511.

By Telephone or By Mail

- Call or write the Direxion Funds (see the address and telephone number above).
- You may sell shares of the Funds by telephone if you elected telephone redemption privileges on your Account Application. If you initially declined this option, and wish to add telephone redemption privileges at a later date, please contact the Funds at (800) 851-0511.
- IRA accounts are not eligible for telephone redemption privileges.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell. The maximum amount that may be redeemed by telephone is \$250,000.

By Wire Transfer

- Call the Direxion Funds.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell.
- You will be charged a wire transfer fee of \$15.00, which will be deducted from your account balance on dollar specific redemption requests or from the proceeds on share specific requests. This fee is in addition to any fees that may be imposed by your bank.

- Your proceeds will be wired only to the bank listed on the Funds' transfer agent's records.

Account and Transaction Policies

Order Policies. There are certain times when you may be unable to sell Service Class shares of a Fund or proceeds may be delayed. This may occur during emergencies, unusual market conditions or when a Fund cannot determine the value of its assets or sell its holdings. The Funds reserve the right to reject any purchase order or suspend offering of its shares. Generally, a Fund may reject a purchase if it is disruptive to the efficient management of the Fund. The Funds may also refuse purchase requests from individuals or groups who have not been approved by the Funds' Subadviser.

Certain transactions through a financial intermediary may not be deemed in good form if such financial intermediary failed to notify the Funds of such trade or trades before 4:00 p.m. Eastern time. In particular, financial intermediaries that transact in shares of the Funds through the Fundserv must, in many cases, notify the Funds of trades before placing them in the Fundserv system. In the event that a financial intermediary transacts in shares of the Funds through the Fundserv system without notifying the Funds of such trades in advance, such transaction may be deemed not to have been received in good order. In practice, this means that a confirmation from a financial intermediary is not binding on the Funds. In the event that a trade is deemed not to have been received in good form, for whatever reason, a purchase, redemption or exchange request may be rejected or canceled and, in the event of a redemption which is canceled, the Funds shall have the right to a return of proceeds. Cancellation of a trade is processed at the NAV at which the trade was originally received and is completed as soon as practical, ordinarily the next business day. Please contact your financial intermediary to determine how it processes transactions in shares of the Funds.

Telephone Transactions. For your protection, the Funds may require some form of personal identification prior to accepting your telephone request such as verification of your social security number, account number or other information. We also may record the conversation for accuracy. During times of unusually high market activity or extreme market changes, you should be aware that it may be difficult to place your request in a timely manner. In

addition, once a telephone transaction has been placed, it cannot be canceled or modified.

Signature Guarantees. In certain instances when you sell Service Class shares of the Funds, we will need your signature guaranteed. Signature guarantees may be available at your bank, stockbroker or a national securities exchange. A notary public cannot guarantee signatures. Your signature must be guaranteed if:

- You are changing your account ownership;
- Your account registration or address has changed in the last 30 days;
- Redemption proceeds are payable and sent to any person, address or bank account other than the one listed on record with a Fund;
- The sale is greater than \$250,000;
- You are establishing or modifying certain services on an account; or
- There are other unusual situations as determined by the Funds' transfer agent.

Low Balance Accounts. If your total account balance falls below \$10,000, then we may sell your Service Class shares of the Direxion Funds. We will inform you in writing 30 days prior to selling Service Class shares. If you do not bring your total account balance up to \$10,000 within 30 days, we may sell your Service Class shares and send you the proceeds. We will not sell your Service Class shares if your account value falls due to market fluctuations.

Redemption In-Kind. The Funds reserve the right to pay redemption proceeds to you in whole or in part by a distribution of securities from a Fund's portfolio. It is not expected that the Funds would do so except in unusual circumstances. If a Fund pays your redemption proceeds by a distribution of securities, you could incur brokerage or other charges in converting the securities to cash and will bear any market risks associated with such securities until they are converted into cash.

Excessive Trading. Each Fund is intended for long-term investors. Short-term "market-timers" who engage in frequent purchases and redemptions may disrupt the Funds' investment program and create additional transaction costs that are borne by all shareholders. The Board of Trustees has adopted a policy regarding excessive trading. Hundredfold generally initiates or has knowledge of, and approves, all transactions in shares of a Fund. As a result,

the Funds do not currently impose any trading restrictions or redemption fees on Fund shareholders.

However, the Funds discourage excessive, short-term trading and other abusive trading practices and the Funds may use a variety of techniques to monitor trading activity and detect abusive trading practices. As approved by the Board of Trustees, these techniques may change from time to time as determined by the Funds in their sole discretion.

In an effort to discourage abusive trading practices and minimize harm to the Funds and their shareholders, the Funds reserve the right, in their sole discretion, to identify trading practices as abusive. The Funds further reserve the right to refuse purchase requests from an account that a Fund has identified as engaging in abusive trading practices or any individuals or groups who, in each Fund's view, are likely to engage in market timing or excessive trading. In making such judgments, the Funds seek to act in a manner that they believe is consistent with the best interests of shareholders.

Due to the complexity and subjectivity involved in identifying abusive trading activity and the volume of shareholder transactions each Fund handles, there can be no assurance that the Funds' efforts will identify all trades or trading practices that may be considered abusive. In particular, since each Fund receives purchase and sale orders through financial intermediaries that use group or omnibus accounts, the Funds cannot always detect frequent trading. As a consequence, the Funds' ability to monitor and discourage abusive trading practices in omnibus accounts may be limited.

ADDITIONAL INFORMATION

Management of the Funds

Rafferty Asset Management, LLC (“Rafferty”) provides investment services to the Funds. Rafferty has been managing mutual funds since June 1997. Rafferty is located at 33 Whitehall Street, 10th Floor, New York, New York 10004. As of September 30, 2009, the Adviser had approximately \$5.8 billion in assets under management.

Under an investment advisory agreement (“Advisory Agreement”) between the Direxion Funds and Rafferty, the Funds pay Rafferty fees at an annualized rate of 1.00% of each Fund’s average daily net assets. For the fiscal year ended August 31, 2009, the Adviser received net management fees as a percentage of average daily net assets of 1.00% from the Select Alternative Fund and the Global Perspective Fund and 0.95% from the Equity Opportunity Fund.

Rafferty has retained Hundredfold to serve as Subadviser to the Funds under an investment subadvisory agreement (“Subadvisory Agreement”). Hundredfold is located at 2940 N. Lynnhaven Road, Suite 210A, Virginia Beach, VA 23452. Hundredfold was established in 2004 as a registered investment adviser under the Investment Advisers Act of 1940. Hundredfold was created by a not-for-profit foundation to receive as a contribution the professional services of Mr. Ralph J. Doudera and to sell those services to unrelated business entities. Hundredfold’s services are based on research and analysis generated by the portfolio manager, Mr. Doudera. Mr. Doudera’s history as an investment manager is discussed below. Mr. Doudera is not compensated for his research and analysis for Hundredfold.

A discussion regarding the basis on which the Board of Trustees approved the Advisory Agreement and Subadvisory Agreement is included in the Funds’ Annual Report to shareholders for the period ended August 31, 2009.

Hundredfold manages the Funds’ assets under the supervision of Rafferty. Under the Subadvisory Agreement, Hundredfold directs the allocation of the Funds’ assets among various investment vehicles selected by Hundredfold. Rafferty implements Hundredfold’s allocation decisions for each Fund by placing all brokerage orders for the purchase and sale of those securities.

Mr. Doudera is the founder, CEO and investment manager of Spectrum Financial Inc. (“Spectrum”), a registered investment adviser. He founded Spectrum in 1986. Prior to founding Spectrum, Mr. Doudera began his financial and estate planning career with the CIGNA Corporation where he became a Chartered Life Underwriter and a Chartered Financial Consultant. Mr. Doudera is a graduate of New Jersey Institute of Technology where he received an undergraduate degree in Mechanical Engineering (1969) and a master’s of science in Management and Finance (1972). Mr. Doudera also earned a master’s degree in Biblical studies from Regent University in 1987.

Mr. Doudera has served as Portfolio Manager to the Funds since the Funds’ inception. The Funds’ SAI provides additional information about Mr. Doudera’s compensation, the other accounts he manages, and his ownership of securities in the Funds.

PORTFOLIO HOLDINGS INFORMATION

A description of the Funds' policies and procedures with respect to the disclosure of each Fund's portfolio securities is available in the Funds' SAI. Disclosure of each Fund's holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q. The Annual and Semi-Annual Reports are available by contacting the Direxion Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling (800) 851-0511.

DISTRIBUTIONS AND TAXES

Distributions. Each Fund distributes dividends from its net investment income, and any realized net capital gains, at least annually, though a Fund may make distributions more frequently.

Net investment income generally consists of interest income and dividends received on investments, less expenses. A Fund realizes capital gains when it sells its portfolio assets for a profit. The tax consequences will vary depending on how long a Fund held the assets that were sold, not how long you held your Fund shares. Distributions of net gains on sales of assets held for one year or less are taxed as dividends (that is, ordinary income). Gains on sales of assets held longer than one year (long-term capital gains) are taxed at lower capital gains rates (a maximum of 15% for individual shareholders). Each Fund does not seek to provide distributions of long-term capital gains.

Dividends and capital gain distributions (collectively, “distributions”) will be reinvested in additional Fund shares automatically at the NAV unless you request otherwise in writing. Normally, distributions are taxable to shareholders per share received in cash or reinvested. If you elect to receive distributions from a Fund by check and the U.S. Postal Service cannot deliver the check or the check remains uncashed for six months, the Fund reserves the right to reinvest the check in your account at the applicable Funds’ then current NAV per share and to reinvest all subsequent distributions in shares of the Fund until an updated address is received.

Taxes. The following table illustrates the potential tax consequences for taxable accounts:

<u>Type of Transaction</u>	<u>Tax Status*</u>
Dividend (other than “qualified dividend income” (“QDI”) distribution)	Ordinary income rate
Distribution of QDI (see below)	Long-term capital gains rate
Distribution of net short-term capital gains	Ordinary income rate
Distribution of net long-term capital gains	Long-term capital gains rate
Sale or exchange of Fund shares owned for more than one year	Long-term capital gains or losses
Sale or exchange of Fund shares owned for one year or less	Gains are taxed at the same rate as ordinary income; losses are subject to special rules

* Tax consequences for tax-deferred retirement accounts (such as IRAs) or non-taxable shareholders may be

different. You should consult your tax specialist for more information about your personal situation.

QDI consists of dividends a Fund receives from most U.S. corporations and “qualified foreign corporations,” provided that the Fund satisfies certain holding period, debt-financing and other requirements regarding the stock on which the dividends were paid. A Fund’s dividends attributable to its “QDI” are subject to the long-term capital gains rate, a maximum federal rate of 15% for shareholders who are individuals and satisfy those restrictions regarding their Fund shares. These special rules generally apply to taxable years beginning before January 1, 2011.

If you are a non-retirement account holder, then each year we will send you a Form 1099 that tells you the amount of Fund distributions you received for the prior calendar year, the tax status of those distributions and a list of reportable sale transactions. Normally, distributions are taxable in the year you receive them. However, any distributions declared in the last three months of a calendar year and paid in January of the following year generally are taxable as if received on December 31 of the year they are declared.

If you are a non-corporate shareholder of a Fund and do not provide the Fund with your correct taxpayer identification number (normally your social security number), that Fund is required to withhold 28% of all dividends and other distributions and sale proceeds payable to you. If you are otherwise subject to backup withholding, we also are required to withhold and pay to the Internal Revenue Service (“IRS”) 28% of your dividends and other distributions. Any tax withheld may be applied against your tax liability when you file your tax return.

MASTER/FEEDER OPTION

A Fund may in the future operate under a master/feeder structure. This means that a Fund would be a “feeder” fund that attempts to meet its objective by investing all its investable assets in a “master” fund with the same investment objective. The “master” fund would purchase securities for investment. It is expected that any such investment company would be managed by Rafferty in substantially the same manner as the Funds. If permitted by law at that time, the Board of Trustees may approve the implementation of such a structure for one or more Funds without seeking shareholder approval. However, the Trustees’ approval will be given only if the investments in the master fund(s) is (are) in the best interests of each Fund and its shareholders. In making that determination, the Trustees will consider, among other things, the benefits to shareholders and/or the opportunity to reduce costs and achieve operational efficiencies. You also will receive a 30-day notice prior to the implementation of the master/feeder structure for your fund.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the financial performance of the Service Class shares of the Funds for the periods indicated. The information shown below was audited by Ernst & Young LLP, whose report, along with the Funds' financial statements, are included in the Annual Report, which is available upon request. Certain information reflects financial results for a single Service Class share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in each Fund (assuming reinvestment of all dividends and distributions).

Year/Period	Ratios to Average Net Assets																
	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) ³	Net Realized and Unrealized Gain (Loss) on Investments ⁴	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Distributions from Realized Capital Gains	Return of Capital Distribution	Total Distributions	Net Asset Value, End of Year/Period	Total Return ⁵	Net Assets, End of Year/Period (,000)	Including Short Dividends		Excluding Short Dividends		Net Investment Income (Loss) After Reimbursement/Recoupment ¹	Portfolio Turnover Rate ⁶
												Total Expenses ¹	Net Expenses ¹	Total Expenses ¹	Net Expenses ¹		
Spectrum Select Alternative Fund																	
Year ended August 31, 2009	\$18.33	\$ 0.50	\$ 2.00	\$ 2.50	\$(0.47)	\$ —	\$ —	\$(0.47)	\$20.36	14.09%	\$ 28,081	\$ —	\$ —	2.67%	2.59%	2.76%	297%
Year ended August 31, 2008	20.02	0.33	(1.58)	(1.25)	(0.43)	(0.01)	—	(0.44)	18.33	(6.38)%	24,990	—	—	2.57%	2.57%	1.68%	127%
Year ended August 31, 2007	19.54	0.57	0.76	1.33	(0.85)	—	—	(0.85)	20.02	6.93%	40,757	—	—	2.44%	2.44%	2.82%	260%
Year ended August 31, 2006	19.96	0.50	0.34	0.84	(1.26)	—	—	(1.26)	19.54	4.53%	22,725	—	—	2.54%	2.54%	2.57%	898%
September 1, 2004 ¹¹ to August 31, 2005	20.00	0.48	(0.26)	0.22	(0.26)	—	—	(0.26)	19.96	1.09% ²	33,414	—	—	2.38%	2.38%	2.44%	759% ²
Spectrum Global Perspective Fund																	
Year ended August 31, 2009	18.69	(0.02)	0.51	0.49	— ¹⁰	— ¹⁰	— ¹⁰	— ¹⁰	19.18	2.65%	61,305	—	—	2.52%	2.49%	(0.14)%	1,770%
Year ended August 31, 2008	24.73	(0.16)	(1.48)	(1.64)	(0.84)	(3.56)	(4.40)	(4.40)	18.69	(8.96)%	79,849	—	—	2.38%	2.38%	(0.75)%	2,073%
Year ended August 31, 2007	25.93	(0.03)	2.86	2.83	(0.34)	(3.69)	(4.03)	(4.03)	24.73	11.32%	110,764	—	—	2.24%	2.24%	(0.12)%	1,259%
Year ended August 31, 2006	23.46	0.06	4.49	4.55	—	(2.08)	(2.08)	(2.08)	25.93	20.43%	115,420	—	—	2.23%	2.23%	0.25%	1,653%
September 27, 2004 ¹¹ to August 31, 2005	20.00	(0.03) ⁸	3.80	3.77	(0.26)	(0.05)	(0.31)	(0.31)	23.46	18.88% ²	71,085	2.39%	2.39%	2.38%	2.38%	(0.16)% ⁹	1,152% ²
Spectrum Equity Opportunity Fund																	
Year ended August 31, 2009	17.90	(0.01)	(0.10)	(0.11)	—	—	— ¹⁰	— ¹⁰	17.79	(0.60)%	13,438	—	—	2.79%	2.72%	(0.09)%	1,485%
Year ended August 31, 2008	21.24	(0.05)	(1.51)	(1.56)	(0.60)	(1.18)	(1.78)	(1.78)	17.90	(8.28)%	16,381	—	—	2.63%	2.63%	(0.27)%	1,617%
Year ended August 31, 2007	21.43	(0.03)	1.48	1.45	(0.31)	(1.33)	(1.64)	(1.64)	21.24	6.91%	32,858	—	—	2.40%	2.40%	(0.14)%	1,347%
Year ended August 31, 2006	21.85	0.03	0.77	0.80	—	(1.22)	(1.22)	(1.22)	21.43	3.85%	48,875	—	—	2.31%	2.31%	0.15%	2,310%
October 11, 2004 ¹¹ to August 31, 2005	20.00	(0.16)	2.01	1.85	—	—	—	—	21.85	9.25% ²	45,689	—	—	2.50%	2.50%	(0.88)%	1,334% ²

1 Annualized.

2 Not annualized.

3 Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

4 The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.

5 All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.

6 Portfolio turnover is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.

7 The Adviser made a contribution due to a trading error. If the contribution had not been made, the total return would have been lower by 0.34%.

8 Net investment income (loss) before dividends on short positions for the period ended August 31, 2005 was \$(0.04).

9 Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the period ended August 31, 2005 was (0.15%).

10 Amount is less than \$0.01 per share.

11 Commencement of operations.

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PRIVACY NOTICE

At the Direxion Funds, we are committed to protecting your privacy. To open and service your Direxion accounts, we collect and maintain certain nonpublic personal information about you, such as your address, phone number, social security number, purchases, sales, account balances, bank account information and other personal financial information. We collect this information from the following sources:

- Account applications or other forms on which you provide information,
- Mail, e-mail, the telephone and our website, and
- Your transactions and account inquiries with us.

We safeguard the personal information that you have entrusted to us in the following ways:

- As a general policy, only those employees who maintain your account and respond to your requests for additional services have access to your account information.
- We maintain physical, electronic, and procedural safeguards to insure the security of your personal information and to prevent unauthorized access to your information.

We do not disclose any nonpublic personal information about you or our former shareholders to anyone, except as permitted or required by law. In the course of conducting business and maintaining your account we may share shareholder information, as allowed by law, with our affiliated companies and with other service providers, including financial intermediaries, custodians, transfer agents and marketing consultants. Those companies are contractually bound to use that information only for the services for which we hired them. They are not permitted to use or share our shareholders' nonpublic personal information for any other purpose. There also may be times when we provide information to federal, state or local authorities as required by law.

In the event that you hold fund shares of Direxion through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with nonaffiliated third parties.

For questions about our policy, please contact us at (800) 851-0511.

This page is not a part of the prospectus.



SPECTRUM FUNDS

THE DIREXION FUNDS

PROSPECTUS December 29, 2009

33 Whitehall Street, 10th Floor

New York, New York 10004

(800) 851-0511

Spectrum Select Alternative Fund
Spectrum Global Perspective Fund
Spectrum Equity Opportunity Fund

Service Class

MORE INFORMATION ON THE DIREXION FUNDS

Statement of Additional Information ("SAI"):

The Funds' SAI contains more information on the Funds and their investment policies. The SAI is incorporated in this Prospectus by reference (meaning it is legally part of this Prospectus). A current SAI is on file with the Securities and Exchange Commission ("SEC").

Annual and Semi-Annual Reports to Shareholders:

The Funds' reports provide additional information on their investment holdings, performance data and a letter discussing the market conditions and investment strategies that significantly affected the Funds' performance during that period.

To Obtain the SAI or Fund Reports Free of Charge:

Write to: Direxion Funds
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

Call: (800) 851-0511

By Internet: www.direxionfunds.com

These documents and other information about the Funds can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Reports and other information about the Fund may be viewed on-screen or downloaded from the EDGAR Database on SEC's website at <http://www.sec.gov>. Copies of these documents may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-1520.

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